

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF TUCSON, ARIZONA
Minutes of the Special Meeting
of the Board of Directors

December 15, 2006

At the
Ward VI Council Office West Meeting Room
3202 East Fifth Street
Tucson, Arizona 85716

Present:

Board Members	Jaime P. Gutierrez Marilyn Robinson Christopher Carroll Ben Buehler-Garcia Sonia Trejo Mary Lou Mobray (4:25 p.m.)
Staff	Gary Molenda, Business Development Finance Corporation Karen Valdez, Business Development Finance Corporation Charles W. Lotzar, Lotzar Law Firm, P.C.
Guests	Emily Nottingham, City of Tucson Community Services Jack Siry, City of Tucson Community Services David Wohl,
Absent:	Michael S. Hammond

The Special Meeting of the Board of Directors of The Industrial Development Authority of the City of Tucson, Arizona was held on **December 15, 2006** at 3202 East Fifth Street, Tucson, Arizona. All Board Members and the general public were duly notified of the meeting. C. Lotzar explained that Arizona's Open Meeting Laws allow for members of the Authority's Board of Directors and legal counsel to appear and participate in the meeting telephonically so long as all participants in the meeting can hear and be heard.

ITEM	ACTION TAKEN/TO BE TAKEN
I. Call to Order.	The meeting was called to order at 4:15 p.m. with a quorum present.
II. Request for resolution to approve the minutes of the Board of Director's Regular Meeting of November 9, 2006.	A MOTION was made and seconded (C. Carroll / M. Robinson) to approve the Regular Meeting minutes of November 9, 2006 as presented. Approved 5-0.
III. Request for resolution to approve the payment of invoices and the notification of items to be paid on the Authority's behalf by third parties. K. Valdez presented the payables, for approval, for the period of November 10, 2006 through December 15, 2006 .	A MOTION was made and seconded (C. Carroll / M. Robinson) to approve payment of invoices for the period of November 10, 2006 through December 15, 2006 . Approved 5-0.

<p>IV. Discussion and request for resolution authorizing and extending preliminary approval to the issuance of the Authority's Multifamily Housing Revenue Bonds (Depot Plaza, LLC Project) Series A and Empowerment Zone Revenue bonds (Depot Plaza, LLC Project) Series B, in an aggregate principal amount not to exceed \$26,000,000.</p> <p>C. Lotzar presented a Second Amending and Clarifying Resolution for approval authorizing extension of preliminary approval from its current expiration of December 31, 2006 to March 31, 2008. The project is subject to restructuring, pending additional changes over time. A revised Project Summary and Summary of Financing for the Martin Luther King, Jr. Apartments A.K.A. Depot Plaza was presented and reviewed with the Board.</p> <p>Emily Nottingham – City of Tucson Community Services Director, Jack Siry – City of Tucson Community Services and David Wohl were present for discussion and to answer questions.</p> <p>Emily Nottingham briefly reviewed the Project explaining that prior to the construction of the new MLK Apartment's, the City will construct the public parking garage which will be financed with revenue bonds issued by the City and Rio Nuevo Tax Increment Financing District Funds. The overall financing plan for the MLK Apartments project includes the issuance of tax-exempt bonds by the Authority to cover the costs of construction and a combination of 4% Low Income Housing Tax Credits, HOPE VI funds and other funds to be provided by or on behalf of the City to provide permanent financing.</p> <p>Jack Siry distributed the site plan for the project noting that the MLK Apartments will be developed as part of the City of Tucson's planned Depot Plaza neighborhood revitalization, a mixed-use, mixed-income development located at a highly visible location in the downtown area with 200 apartments, parking, and commercial use in 3 buildings expected to be comprised of: The new MLK Apartments; The existing Martin Luther King Jr. Apartments building which currently has 96 public housing units all of which will be taken out of service and converted to provide 65 market-rate and 11 affordable apartments; a new building to be constructed with 45 market-rate and 11 affordable apartments. The overall Depot Plaza project will also include the construction of public open space, up to 10,000 square feet of commercial/retail space, and 300 parking spaces in an underground public parking garage to be located on the same site as the new MLK Apartments which will be located above the parking garage. Both ingress and egress of the parking garage will be off of Fifth Avenue. The building which is the current MLK Apartment building will have a name change.</p>	<p>A MOTION was made and seconded (M. Robinson / S. Trejo) to approve resolution in the form presented. Approved 5-0. Abstention – 1.</p> <p>B. Buehler-Garcia declared a potential conflict of interest and abstained from voting.</p>
<p>V. Status report relating to the Clean Renewable Energy Bonds ("CREBS")</p> <p>G. Molenda reported that the IRS awarded approximately \$7,000,000 to the Authority representing a substantial portion of what was requested. The majority of the awarded projects are the Tucson Unified School District ("TUSD") projects with the balance being City of Tucson ("City") projects. The 2 projects that did not receive an award were the Tucson Convention Center and the South Park Service Center project. The total request was \$37,318,250 of which \$28,894,250 was awarded. The request, the majority of which was prepared by the vendor, Venture Catalyst, Inc., who anticipates being the provider of the systems that sell the energy to the City of Tucson and to TUSD. Preliminary due diligence has been performed by both the City and TUSD. The concept is the ability for the Authority to issue tax exempt bonds at 0% interest, for the financing of qualified clean renewable energy projects, and the investors receive substantial tax credits from the Federal Government creating a subsidy that will then provide assistance in placing sustainable systems on roof top to generate power for a twenty year period. Preliminary discussion was that the Vendor would agree to sell power to the City and TUSD at or below current utility rates and cap the annual increase at approximately 2% - 3% creating savings over time. Mr. Molenda reported that at the most recent meeting</p>	

<p>attended, representatives from both the City and TUSD remain interested although there are questions regarding technical issues and procurement: sole source, vendor or RFP. The Authority has a non binding letter of intent and is not committed to go forward. The award letter was issued to the Authority and has a letter of intent with the Vendor.</p>	
<p>VI. Discussion and request for resolution granting final approval to the issuance of The Industrial Development Authorities of the City of Tucson, Arizona and the County of Pima of Joint Single Family Mortgage Revenue Bonds, Series 2007A, in an aggregate principal amount not in excess of \$30,000,000, approving the General Plan and the Standards and Requirements; and approving other documents and matters relating to the Bonds.</p> <p>C. Lotzar reviewed the Summary of Financing along with the Executive Summary of the 2007 Joint Single Family Mortgage Revenue Bond Program (“2007 Single Family Program”) transaction previously presented to the Board. This program will be identical in structure to the 2006 Joint Single Family Mortgage Revenue Bonds Program (“2006 Single Family Program”) which fully originated in 6 months. The program offered 30 year fixed 1st and 2nd mortgages at 5.95% and 7% respectively. The 1st mortgage interest rate for the 2007 Single Family Program is anticipated to be at approximately 5.5% with the 2nd mortgage rate at 7%. Approximately 85% of the loans are originated in the City of Tucson however originations are increasing in other areas of Pima County. Historically, all economics have been shared equally; except for cost of issuance charges for which there have been relatively minor adjustments. Family Housing Resources is the Program Administrator and Paschal Solutions is the transaction’s Financial Advisor. Pros of this transaction include a strong bid from the Master Servicer of approximately \$300,000; George K. Baum as underwriter is willing to defer 100% of its fee of \$255,000 representing \$8.50 per Bond; There is limited negative arbitrage in the transaction, approximately \$100,000 over the full 12 months (assumes zero origination) based on Rating Agency stress test; The Bond Counsel, Underwriter and Underwriter’s Counsel were selected based on competitive proposals associated with the 2006 Single Family Program; Strong market conditions remain best represented by the 2006 Single Family Program; There is potential residual value of approximately \$430,000 assuming full origination and potential fees of approximately \$240,000 also assuming full origination representing 20 – 25 basis points with full spread 1 1/8% over the mortgage loan rate. Cons of this program include market changes could adversely effect the attractiveness and origination speed of the Program; the Master Servicer is guaranteed repayment meaning the Tucson Authority’s exposure could be as high as approximately \$150,000; and all recycling Private Activity Bonding Authority would be used, leaving no room for a new or alternative transaction. It was noted that this program will use \$16,816,000 of Recycled Draw Down Joint Tucson/Pima IDA Cap and that \$6,574,644 of new cap is required, \$3,287,322 from each IDA. All issuer fees and residual revenues will be shared equally. Discussion ensued regarding market affordability and average purchase price amounts.</p>	<p>A MOTION was made and seconded (M. L. Mobray / B. Buehler-Garcia) to approve resolution authorizing final approval to the issuance of The Industrial Development Authorities of the City of Tucson, Arizona and the County of Pima of Joint Single Family Mortgage Revenue Bonds, Series 2007A, in an aggregate principal amount not in excess of \$30,000,000, approving the General Plan and the Standards and Requirements; and approving other documents and matters relating to the Bonds. Approved 6-0.</p>
<p>VII. Discussion and request for resolution authorizing all actions necessary to grant final approval to the establishment of the Authority’s Single Family Mortgage Credit Certificate Program of 2007 including but limited to the use of an allocation of Private Activity Bonding Authority in an amount not to exceed \$8,000,000.</p> <p>C. Lotzar reported that a request for Carry-Forward allocation in the amount of \$8,000,000, from unused portion of volume cap, has been submitted to the Arizona Department of Commerce for the establishment of the 2007 Mortgage Credit Certificate Program. The Carry-Forward funds are currently oversubscribed 2 to 1 and the decision on allocation will be made by the Arizona Department of Commerce by Monday, December 18, 2006. The Authority’s documents are drafted and have the ability to issue in January 2007. Unlike the Mortgage Revenue Bond Program the allocation is not used on a dollar for dollar basis but rather a division by 4 must be done to get to the amount that can be utilized. Historically, a 20% tax credit has been issued by the</p>	<p>A MOTION was made and seconded (M. Robinson / C. Carroll) to approve resolution authorizing all necessary actions to grant final approval to the establishment of the Authority’s Single Family Mortgage Credit Certificate Program of 2007 in an amount not to exceed \$8,000,000 and not less than \$5,000,000. Approved 5-0.</p>

<p>Authority therefore the math requires you to multiply by 5 to get to the total dollars of mortgages that can be originated from the \$8,000,000 allocation. The pros to this program is that it addresses the Authority's mission; Historical success at origination of Tax Credits; New marketing approaches appear to be having a positive impact (e.g. KGUN 9 program); New documents are substantially more "user friendly"; Pressure on builders of newly constructed homes should improve builder participation; The Authority's consistent presence in the market should allow for a positive spill over effect on the Mortgage Revenue Bond Programs. The cons include the expense to establish and approximately \$30,000 per year to maintain for up to 3 years; the program is not a money maker for the Authority; Staff time commitment is substantial. Discussion ensued regarding marketing and visibility in the market. It was the consensus of the Board to authorize the President to move forward with the Program at not to exceed \$8,000,000 but at no less than \$5,000,000.</p>	
<p>VIII. Disclosure of Relationship by Mr. Lotzar and Status Report concerning the issuance of The Industrial Development Authority of the City of Tucson, Arizona Senior Living Revenue Bonds (GNMA Collateralized Mortgage Loan – Casa De Encanto Apartments Project) Series 2006 in an aggregate principal amount not to exceed \$2,500,000.</p> <p>C. Lotzar disclosed his relationship as the Applicant's Attorney and noted that William Wilder, Ryley Carlock & Applewhite, is serving as Special Counsel to the Authority on this transaction.</p> <p>Mr. Lotzar gave a brief status report noting that there has been a lot of volatility in the tax credit market across the board with GNMA exiting the market by and large for some period of time during economy irregularities. Freddie Mac has also exited the market with respect to bond financed projects, however are expected back in the market the first quarter of 2007. The original tax credit investor has been replaced by Homestead Capital at 95 cents on the dollar and will be paying in 90% of total investment at the closing table. It is anticipated that all transactions prior to the end of January 2007.</p>	
<p>IX. Status report concerning the scheduling of the Authority's Regular Meetings for the next calendar year and public notice associated therewith.</p> <p>J. Gutierrez reviewed the schedule for the Authority's Regular Meetings for the 2007 calendar year. The meetings will be held at the Ward VI Council Office at 3202 East First Street unless otherwise notified.</p>	
<p>X. Status report concerning the terms in office of the various members of the Authority's Board of Directors.</p> <p>C. Lotzar reported that every 2 years, the terms of Board Members are staggered to either expire from the Board or get renewed. Each term is for 6 years. The Board directed K. Valdez to review records with the City Clerks office to determine the accuracy of each member's term.</p>	
<p>XI. Staff Reports</p> <ul style="list-style-type: none"> ➤ Outstanding Single Family Programs – K. Valdez reported that the 2004 MCC program will end December 31, 2006. The few applicants pending will be placed into the 2007 program as they are new construction that will not be completed by year end. The 2004 program has a total of 16 MCC's issued over a 1 year period as it overlapped with the 2003 program that ended on December 31, 2005. The average loan amount is \$138,517 with an average purchase price of \$154,756. There was discussion regarding the placement of a power point presentation onto the Authority's website. ➤ Block 175 / Torreon Partnership – No report ➤ Dark Mountain Development Corporation – No report 	

➤ Potential Legislation – No report	
XII. President's Report Brief Summary of current events, including items brought to the President's attention or matters that required handling by the President since the last meeting. No report.	
XI. Call to the Audience There was no one in the audience who wished to address the Authority.	
XII. Adjourn	There being no further business, the meeting was adjourned at 5:50 p.m.

Submitted by:

Karen J. Valdez
Business Development Finance Corp.

Approved by:

Jaime P. Gutierrez, President
The Industrial Development Authority of the
City of Tucson, Arizona